

Bank of England

Guidance on Controller Forms

Purpose of this guidance

This note explains when controller forms need to be submitted as part of a Gate 2 application in the Digital Securities Sandbox (DSS), which form to use, and how firms should identify controllers.

What is a controller?

For the purposes of the DSS, a controller is defined in line with [Section 422 of the Financial Services and Markets Act \(FSMA\)](#). A controller is any person (individual or legal entity) who:

- holds 10% or more of the shares in a UK-authorised person (A) or a parent undertaking (P) of A
- holds 10% or more of the voting power in A or P
- holds shares or voting power in A or P that enable them to exercise significant influence over the management of A

When do firms need to submit controller forms?

As part of pre-application engagement, we ask that firms indicate which controller forms they intend to submit as part of their Gate 2 application. Entrants should submit the relevant forms based on the type of entity gaining control:

- **Individual controller form** – for individuals
- **Corporate controller form** – for a firm that is either a limited company or a limited liability partnership
- **Partnership controller form** – for partnerships
- **Trust controller form** – for trustees, settlors or beneficiaries of a trust

How to identify controllers

When identifying controllers, firms should consider both direct and indirect forms of control, as well as the broader influence a person or legal entity may have over the firm's management. Firms should consider the following when determining whether a controller form is required:

Bank of England

Direct and indirect control

A person may be a controller either directly or indirectly.

- **Direct control** means the individual or entity personally holds 10% or more of the shares or voting rights in the sandbox entrant.
- **Indirect control** arises where that interest is held through one or more intermediate companies, trusts, or legal structures. For example:
 - A parent company that owns a subsidiary, which in turn holds 10% or more of shares or voting rights in the sandbox entrant, may itself be a controller.
 - An individual who controls a holding company that holds shares or voting rights in the sandbox entrant may also be considered a controller.

If a person has control over the entity that owns the interest in the firm, they may be considered to have indirect control over the firm itself.

Acting in concert

Two or more people or entities may be considered controllers if they are acting together to exercise influence over the firm, even if each holds less than 10%.

This applies where individuals or entities:

- Coordinate their decisions, or
- Have a shared intention to influence or control the firm

Examples include:

- Business partners or directors aligning their interests,
- Family members working together to influence decisions,
- Companies within the same group operating under a common control structure.

In these cases, their combined holdings or influence may meet the threshold for control.

Significant influence

A person can be a controller when their shareholding or voting power is below the 10% threshold if they are able to exercise significant influence over the management or strategic direction of the firm.

Factors in determining whether there is significant influence include, but are not limited to:

Bank of England

- A person with a contractual right to appoint or remove board members,
- Someone with a veto over strategic decisions (e.g. changes to business model).

If a person can materially influence how the firm is run, they may be considered a controller under FSMA.

Examples

Below are some examples to illustrate how controllers may be identified in practice:

- **Example A:** An individual directly holds 15% of the voting shares in the firm. They are a controller.
- **Example B:** A parent company owns a subsidiary, which in turn holds 12% of the shares in the DSS firm. The subsidiary is a direct controller as it holds more than 10% of the shares in the sandbox firm. The parent company is an indirect controller, as it controls the subsidiary that holds the shares.
- **Example C:** Two business partners each hold 6% of shares and act together to influence decisions. They may be acting in concert and jointly controlling the firm.
- **Example D:** A founder holds no shares in the sandbox entrant but has the right to appoint the majority of the board. They may be considered to have significant influence and therefore a controller.

Illustrative diagrams

The following diagrams have been adapted from the [PRA's Supervisory Statement SS10/24](#) to help firms understand how the controller test may apply in practice. These diagrams build on the examples above and for illustration only; they do not cover every possible structure or outcome.

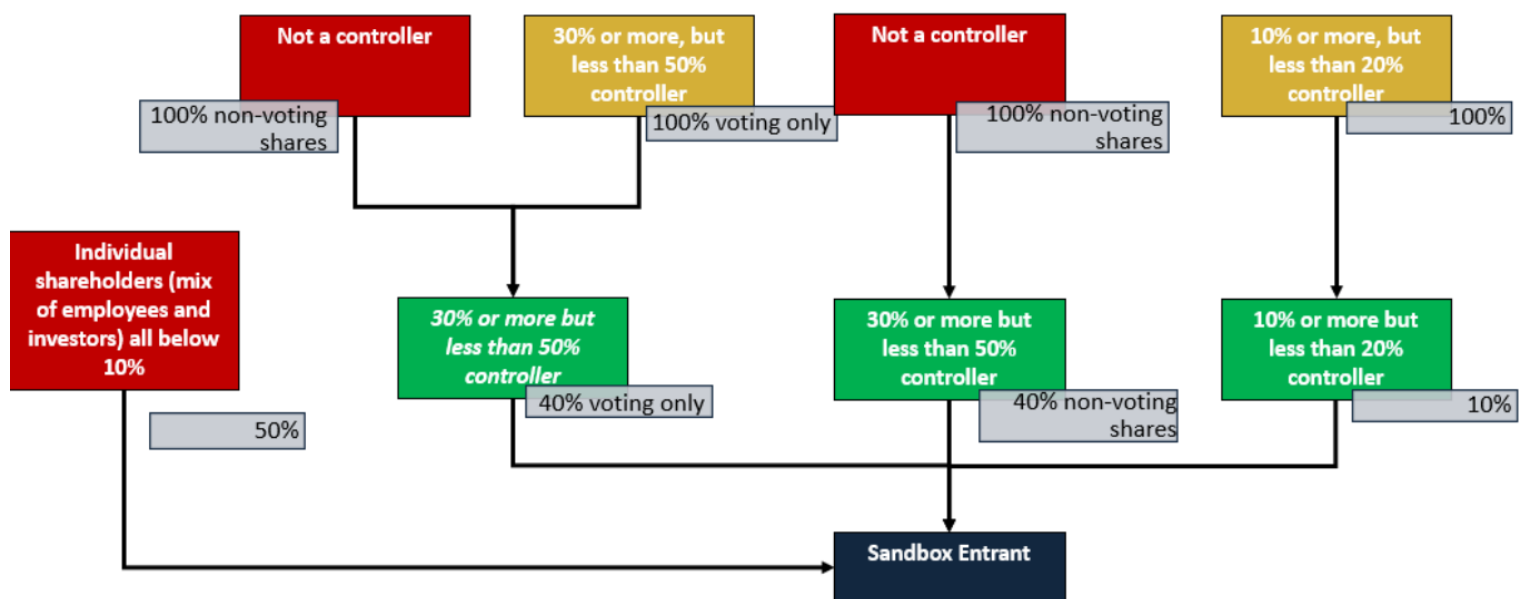
The colour coding in the diagrams indicates whether a controller form is likely to be required:

	Controller – meets the threshold for control
	Possible controller – may be a controller depending on the structure (e.g. acting in concert or indirect control)
	Not a controller – no notification needed

Bank of England

	Parent controller – a company higher up in the group structure that gives rise to control of the sandbox entrant (i.e. indirect control)
	Controller within a threshold band – used to highlight entities with significant ownership levels that meet controller thresholds (e.g. 20-30%, 30-50%, or 50%+ voting rights).

Diagram A – this diagram focuses on voting rights, which are key in determining controller status. Shareholding and voting rights may differ.



Bank of England

Diagram B – all % represent shares and voting

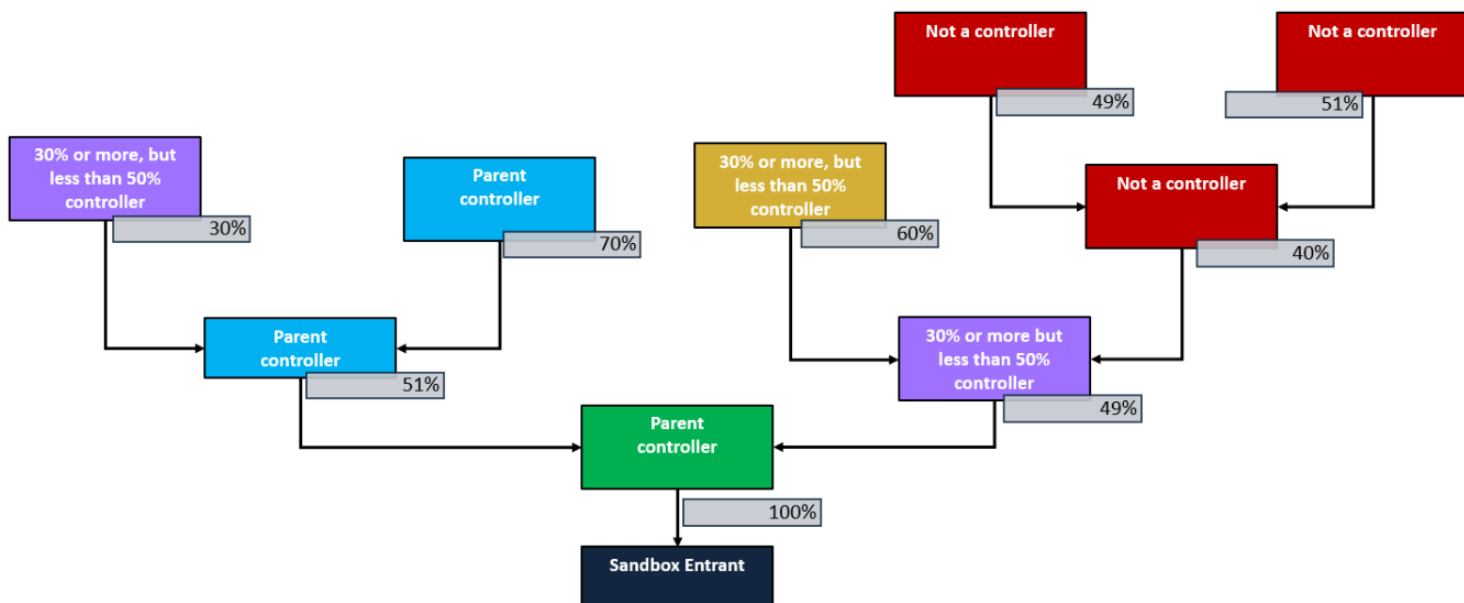
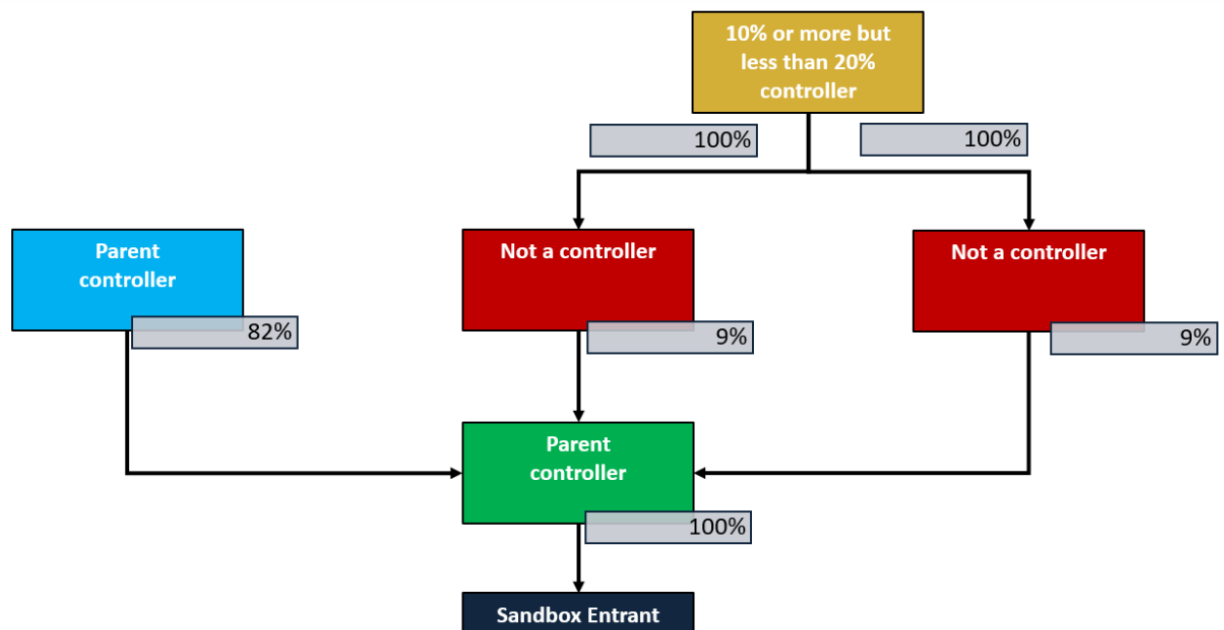


Diagram C



Bank of England

Diagram D

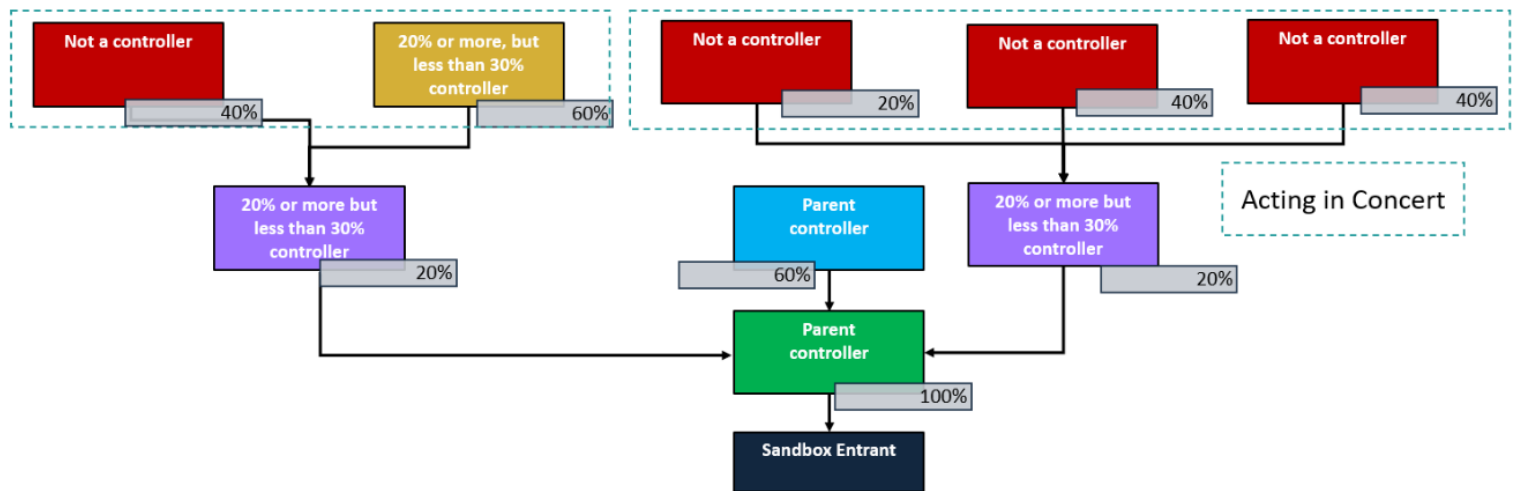
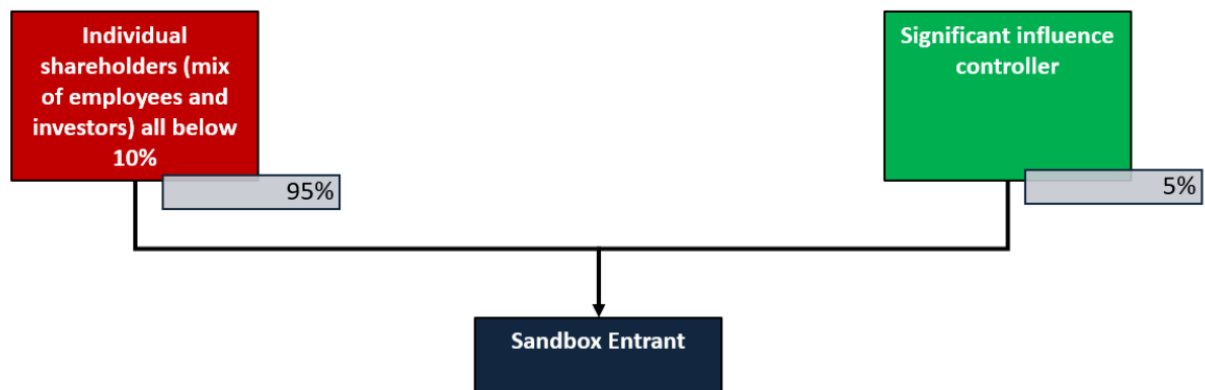


Diagram E



For any questions on controller forms or whether a form is required, please raise this during pre-application engagement.